

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

COMPLIANCE OF KENTUCKY-AMERICAN)
WATER COMPANY, AMERICAN WATER WORKS)
COMPANY, RWE AKTIENGESELLSCHAFT AND)
THAMES WATER AQUA HOLDINGS GMBH WITH)
THE PROVISIONS OF THE ORDERS) CASE NO. 2002-00277
APPROVING THE TRANSFER OF CONTROL OF)
KENTUCKY-AMERICAN WATER COMPANY TO)
RWE AKTIENGESELLSCHAFT AND THAMES)
WATER AQUA HOLDINGS GMBH)

ORDER

In approving the transfer of control of Kentucky-American Water Company (Kentucky-American) to Thames Water Aqua Holdings GmbH (Thames), Thames Water Aqua US Holdings, Inc. (TWUS), and RWE Aktiengesellschaft (RWE) the Commission required written acknowledgements by each entity s chief executive officer accepting and agreeing to be bound by 61 separate conditions.¹ Condition 32 requires that:

RWE, Thames, TWUS, AWWC, and KAWC will obtain Commission approval prior to KAWC s payments of any dividend or transfers of any funds within a calendar year that collectively represent more than 5 percent of KAWC s retained earnings as of December 31 of the prior

¹ See Case No. 2002-00317, The Joint Petition of Kentucky-American Water Company, Thames Water Aqua Holdings GmbH, RWE Aktiengesellschaft, Thames Water Aqua US Holdings, Inc., Apollo Acquisition Company and American Water Works Company, Inc. for Approval of a Change of Control of Kentucky-American Water Company (December 20, 2002).

calendar year to RWE, Thames, TWUS or any other entity related to RWE.²

On July 25, 2003, Kentucky-American declared a dividend on common stock of \$752,348 that will be paid on September 22, 2003. Pursuant to Condition 32 of the Commission's December 20, 2002 Order, Kentucky-American, Thames, TWUS, RWE, and American Water Works Company, Inc. (jointly, Applicants) submitted their August 13, 2003 request for Commission approval of the September 22, 2003 common stock dividend. According to Applicants, Kentucky-American's declared dividend of \$752,348 is in conformity with the historical dividend policy of paying 75 percent of earnings available for common dividends. According to the Applicants, collectively the declared dividend of September 22, 2003 and the March 28 and June 23, 2003 dividends represent more than 5 percent of Kentucky-American's accumulated retained earnings as of December 31, 2002.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that Kentucky-American's dividend policy has not been affected by the change in ownership. Therefore, Kentucky-American's September 22, 2003 common stock dividend of \$752,348 should be approved.

IT IS THEREFORE ORDERED that Kentucky-American's September 22, 2003 common stock dividend of \$752,348 is approved.

² Id., Appendix A at 6.

Done at Frankfort, Kentucky, this 4th day of September, 2003.

By the Commission

ATTEST:

Deputy Wm H. I. Barker
Executive Director